

A Resolution

NO. _____

TO NOTIFY THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT FUND OF THE CITY OF FORT WORTH THAT THE FORT WORTH CITY COUNCIL INTENDS TO CONSIDER AND VOTE ON AMENDMENTS TO THE RETIREMENT ORDINANCE FOR NON-CIVIL SERVICE EMPLOYEES HIRED BEFORE JULY 1, 2011, NON-CIVIL SERVICE EMPLOYEES HIRED AFTER JULY 1, 2011, POLICE OFFICERS HIRED BEFORE JANUARY 1, 2013, AND POLICE OFFICERS HIRED ON OR AFTER JANUARY 1, 2013, THAT WILL REDUCE A NON-ACCRUED BENEFIT PROVIDED BY THE RETIRMENT SYSTEM – BENEFIT REDUCTIONS

WHEREAS, Article 6243i of the Texas Revised Civil Statutes applies to the Employees' Retirement Fund of the City of Fort Worth ("the Fund"); and

WHEREAS, Section 4.03 of Article 6243i of the Texas Revised Civil Statutes requires the City Council to notify the Board of Trustees of the Fund of City Council's intent to consider and vote on any amendment to the administrative rules governing the Fund that would reduce a benefit provided by the retirement system; and

Whereas, the City's analysis projects the Fund to have an infinite funding period for the accrued unfunded liability (market value) if more conservative investment returns are assumed even without booking future potential ad hoc cost-of-living-adjustments (COLAs); and

Whereas, the City's analysis considered options to mitigate the risk of not meeting the Fund's investment return assumptions; and

Whereas, the City and the tax payers of Fort Worth currently have the State constitutional obligation to honor earned benefits for employees should the Fund become insolvent and therefore have a critical interest in the affordability of the benefits that are offered to employees; and

Whereas, the City controls, within Constitutional constraints and as limited by collective bargaining or meet and confer agreements, the retirement benefits that are offered to employees; and

Whereas, the Employee Retirement Fund Board has the legal authority over the investment strategy and management oversight of the contributions once remitted to them; and

Whereas, the City Council has endorsed the goal of preservation of a defined benefit plan for employees; and



Whereas, the City Council has demonstrated commitment to this goal by increasing the City's contributions to the Fund by 5% of payroll in 2007, by 4% of payroll in 2010 and by making a one-time contribution of \$7 million in 2010; and

Whereas, these funding commitments have nearly doubled the City's annual financial commitment to the Fund over a period of four years, representing a \$39 million increased annual expense in FY2012 compared to FY2007; and

Whereas, the City reduced retirement benefits for General employees hired on or after July 1, 2011, with a pledge to consider the same for Police Officers and Fire Fighters during their subsequent collective bargaining and meet and confer contract negotiations; and

Whereas, the City may not unilaterally reduce the funding commitment to the fund per State law; and

Whereas, the City is unwilling to make additional financial contributions to the Fund due to risks to the City's long-term sustainability in terms of operations, staffing, infrastructure and tax rate competitiveness; and

Whereas, the City intends to resolve the current structural dilemma of the ad hoc COLA for the benefit of all members' future security by assigning a 2% simple guaranteed annual adjustment for future accrued years of service to active General Employees hired before July 1, 2011 and to active Police Officers hired before January 1, 2013 as outlined in Resolution _____; and

Whereas, the City intends to allow all active General employees hired before July 1, 2011 and to active Police Officers hired before January 1, 2013 who are subject to the ad hoc COLA the opportunity to select a 2% simple guaranteed annual adjustment for past service accrual as outlined in Resolution _____; and

Whereas, the City intends to allow all Retirees (General, Police and Fire) and beneficiaries who are subject to the ad hoc COLA the opportunity to select the 2% simple guaranteed annual adjustment based on their starting pension amount with the first payment occurring in January 2014; and

Whereas, in order to pay for 2% guaranteed annual adjustment and to improve the health of the Fund for the security of employees and the citizens of Fort Worth, additional benefit reductions are necessary for the future service accrual of existing employees.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS:

That this Resolution serve as Notification to the Board of Trustees of the Employees' Retirement Fund of the City of Fort Worth that the Fort Worth City Council intends to consider and vote on amendments to the Retirement Ordinance, at a meeting to be held on or after October 16, 2012:



- 1. To reduce benefits for future service accrued by current General employees hired prior to July 1, 2011 and all Police officers hired before January 1, 2013 by:**
 - a. Changing the compensation base for determining pension benefits from highest three-year average to highest five-year average;**
 - b. Changing the multiplier for normal retirement from 3.0% to 2.5%;**
 - c. Changing the multiplier from 2.75% to 2.25% for vested termination prior to the employee's normal retirement date, commonly known as "early retirement";**
 - d. Changing the multiplier from 2.75% to 2.25% for death while not in the line of duty or disability while not in the line of duty;**
 - e. Elimination of overtime from the definition of earnings and from the pension calculation and no cash account;**
- 2. To reduce benefits for General employees hired on or after July 1, 2011 as follows:**
 - a. Elimination of future contributions from employees to cash accounts for overtime beginning on January 1, 2013 and provision for cash account balances as of January 1, 2013 to be frozen but continue to accrue interest and to receive a dollar for dollar match on the proceeds and interest upon retirement;**
 - b. Changing the multiplier from 3.0% to 2.5% for death while in the line of duty and from 2.75% to 2.25% for death while not in the line of duty;**
 - c. Modification of the definition of earnings to explicitly exclude vacation sell-back and wellness pay from future years of service;**
- 3. To reduce benefits for all Police Officers hired on or after January 1, 2013 as follows:**
 - a. Changing the compensation base for determining benefits from highest three-year average to highest five-year average;**
 - b. Changing the multiplier from 3.0% to 2.5% for normal retirement;**
 - c. Changing the multiplier from 2.75% to 2.25% for vested termination prior to the employee's normal retirement date, otherwise known as "early retirement";**
 - d. Changing the multiplier from 3.0% to 2.5% for death while in the line of duty;**
 - e. Changing the multiplier from 2.75% to 2.25% for death while not in the line of duty unless the employee was eligible for normal retirement in which case the multiplier is 2.5%;**
 - f. Changing the multiplier from 2.75% to 2.25% for disability while in the line of duty or not in the line of duty unless the employee is eligible for normal retirement in which case the multiplier is 2.5%;**
 - g. Elimination of overtime from the definition of earnings and from the pension calculation and no cash account;**
 - h. Voluntary actuarially-neutral survivor benefit;**
 - i. Changing the vested termination benefit for normal retirement to when the member's age plus actual years of service with the City of Fort Worth total eighty (80) or age 65, whichever occurs first;**
 - j. Modification of the definition of earnings to explicitly exclude vacation sell-back (if applicable in the future) and wellness pay;**



4. To stipulate vested terminated General Employees and vested terminated Police Officers as of January 1, 2013 who draw a benefit on their normal retirement date shall have pensions calculated using the benefit formula for normal retirement that was in effect at the time the member's employment with the City terminated;
5. To stipulate that active General Employees and active Police Officers who were hired before January 1, 2013 and become vested terminated employees on or after January 1, 2013 shall have pension calculations based on the following:
 - a. The benefit formula in effect on December 31, 2012 for all credited service that is earned or purchased on or before December 31, 2012;
 - b. The benefit formula in effect at the time credited service is earned or purchased on or after January 1, 2013;
6. To stipulate that General Employees and Police Officers who are hired on or after January 1, 2013 and become vested terminated employees shall have pension calculations based on the benefit formula in effect on the date of termination;
7. To stipulate that General employees hired between October 23, 2002 and June 30, 2011 (inclusive) will continue to have a 12% cap applied for "high 3" calculation for service prior to January 1, 2013;
8. To stipulate that Police Officers hired between October 23, 2002 and December 31, 2012 (inclusive) will continue to have a 12% cap applied for "high 3" calculation for service prior to January 1, 2013;
9. In recognition of the current Collective Bargaining Agreement with the International Association of Firefighters Local 440 that represents Fort Worth Fire Fighters, the City will enter into new contract negotiations with the Local 440 beginning after October 1, 2012 with the intent to consider a similar reduction in benefits, subject to the results of the negotiation.

ADOPTED this _____ day of _____ 2012.

ATTEST:

By: _____

Mary J. Kayser, City Secretary

